

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of South Haven	County Van Buren
Fiscal Year End December 31, 2006	Opinion Date May 2, 2007	Date Audit Report Submitted to State June 6, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

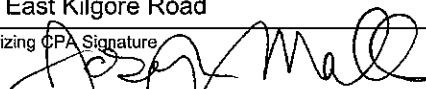
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>		
Other (Describe) SAS 112 report	<input checked="" type="checkbox"/>		
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number 269-381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Zip 49002			
Authorizing CPA Signature 		Printed Name Joseph M Walls, CPA	
		License Number 1101013696	

Charter Township of South Haven
Van Buren County, Michigan
**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT**
Year ended December 31, 2006

CONTENTS

	Page
MANAGEMENT'S DISCUSSION AND ANALYSIS	i - vii
INDEPENDENT AUDITORS' REPORT	3
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	4
Statement of activities	5
Fund financial statements:	
Balance sheet - governmental funds	6
Statement of revenues, expenditures, and changes in fund balances - governmental funds	7 - 8
Statement of fiduciary net assets - Agency Fund	9
Notes to financial statements	10 -19
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	20 - 21
Fire and Ambulance Fund	22
SUPPLEMENTARY INFORMATION	
Combining balance sheet - nonmajor governmental funds	23
Combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	24

MANAGEMENT'S DISCUSSION AND ANALYSIS

Charter Township of South Haven
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of South Haven's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$141 thousand (8 percent) as a result of this year's activities.
- Of the \$1.87 million total net assets reported, \$1.4 million (76 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$678 thousand, which represents 108 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

Charter Township of South Haven
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) are one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements present *governmental activities*. These activities include functions most commonly associated with government (e.g., general government, public safety, public works, parks, etc.). Property taxes and intergovernmental revenues generally fund these services.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like the Debt Service Fund, a major fund) or to show that it is properly using certain other revenues (like the Fire and Ambulance, and other governmental funds).

The Township has two kinds of funds:

- **Governmental funds.** Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements that explains the relationship between them.
- **Fiduciary funds.** These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

Charter Township of South Haven
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$1.9 million. Of this total, \$268 thousand is invested in capital assets. \$115 thousand is restricted for public safety, \$44 thousand is restricted for public works and \$15 thousand is restricted for debt service. Consequently, unrestricted net assets were \$1.4 million.

	<i>Governmental activities</i>	
	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 5,806,830	\$ 5,491,033
Capital assets	<u>267,725</u>	<u>270,015</u>
Total assets	<u>6,074,555</u>	<u>5,761,048</u>
Other liabilities	792,724	758,619
Long-term debt	<u>3,412,615</u>	<u>3,274,590</u>
Total liabilities	<u>4,205,339</u>	<u>4,033,209</u>
Net assets:		
Invested in capital assets	267,725	270,015
Restricted	174,908	77,751
Unrestricted	<u>1,426,583</u>	<u>1,380,073</u>
Total net assets	<u>\$ 1,869,216</u>	<u>\$ 1,727,839</u>

Charter Township of South Haven
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Changes in net assets. The Township's total revenues are \$1.9 million. Nearly 31 percent of the Township's revenues come from property taxes, 49 percent come from charges for services, and 17 percent come from state grants.

The total cost of all the Township's programs, covering a wide range of services, totaled \$1.8 million. About 33 percent of the Township's costs relate to the provision of public works. Public safety costs account for 26 percent, interest on debt amounts to 14 percent, and general government costs are 16 percent of the Township's total expenses.

	<i>Governmental activities</i>	
	<u>2006</u>	<u>2005</u>
Program revenues:		
Charges for services	\$ 938,297	\$ 298,686
Operating grants and contributions	3,157	5,900
Capital grants and contributions	-	20,672
General revenues:		
Property taxes	584,077	598,433
State shared revenue	324,602	334,043
Interest income	50,171	28,070
Miscellaneous	629	3,790
Total revenues	<u>1,900,933</u>	<u>1,289,594</u>
Expenses:		
Legislative	4,272	4,205
General government	282,601	227,873
Public safety	458,395	464,741
Public works	574,624	90,425
Health and welfare	66,902	63,138
Community and economic developmen	54,583	48,012
Culture and recreation	67,515	69,481
Interest	250,664	170,560
Total expenses	<u>1,759,556</u>	<u>1,138,435</u>
Increase in net assets	<u>\$ 141,377</u>	<u>\$ 151,159</u>

Charter Township of South Haven
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Governmental activities. Governmental activities increased the Township's net assets by \$141 thousand compared to \$151 thousand last year. Changes in individual categories of net expenses or general revenues were generally not significant, although the gross expenses and offsetting charges for services for public works were approximately \$484 thousand and \$549 thousand higher, respectively, to reflect a new water extension project and the customer assessments to finance it.

The cost of all governmental activities this year was close to \$1.8 million. After subtracting the direct charges to those who directly benefited from the programs (\$937 thousand), and operating and capital grants (\$3 thousand), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$818 thousand, compared to \$813 thousand in 2005.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1.6 million, an increase of \$154 thousand over the prior year. Of the total fund balances, 54 percent constitutes unreserved fund balance, which is available for spending at the Township's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed (1) for future capital projects (\$54 thousand) and (2) for amounts advanced to the South Haven Township - Casco Township Water and Wastewater Treatment Authority (\$704 thousand).

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$678 thousand, which increased by \$31 thousand during the fiscal year compared to \$37 in 2005. Total revenues and expenditures in the General Fund for 2006 were comparable to 2005.

The Fire and Ambulance Fund experienced an increase in fund balance of \$75 thousand. The increase was resulted primarily from a decrease in the contract amount for ambulance services.

A new Water Extension Fund was established to account the construction costs for a new water extension, which was financed by \$435,000 of bonds issued this year.

The Debt Service Fund experienced no change in fund balance as all special assessments collected are then remitted to the South Haven Township - Casco Township Water and Wastewater Treatment Authority for payment of debt service requirements.

General Fund budgetary highlights

The Township did not amend the General Fund budget during the year.

Revenues, including an operating transfer to cover a portion of police service costs, were \$94 thousand more than budgeted amounts. The operating transfer was made from the Police Fund, representing the amount of the approved Police tax millage, not included as a financing source in the General Fund budget, although all contractual expenditures for police services are accounted for in the General Fund.

General Fund expenditures were \$33 thousand more than appropriated. The revenue in excess of budget exceeded the expenditure overages, which resulted in a \$60 thousand positive net change in fund balance, instead of the budgeted decrease of \$30 thousand. Expenditure variances were comprised primarily of unanticipated costs for elections, building inspections, and planning and zoning activities.

Charter Township of South Haven
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental activities as of December 31, 2006, amounts to \$268 thousand (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, equipment, and the Township's share of road costs. The increase in the Township's net investment in capital assets for the current fiscal year was \$14 thousand, comprised of shared road costs.

More detailed information about the Township's capital assets is presented in Note 7 of the notes to the basic financial statements.

Long-term debt

At the end of the fiscal year, the Township had total long-term debt outstanding in the amount of \$3.4 million, which represents \$3 million in assessments being collected for the payment of four water and sewer bonds issued by Allegan and Van Buren Counties, \$435 thousand in bonds payable for a water system extension, and \$16 thousand due to Van Buren County for the Township's share of drain costs.

The Township pays amounts collected on assessments to the South Haven Township - Casco Township Water and Wastewater Treatment Authority (the Authority). The Authority then makes bond payments to the Counties when due. The Township is contingently liable for \$11.8 million of outstanding water and sewer system bonds payable in excess of the amounts which due from collections of current special assessments on properties within the Township. The Township has pledged its full faith and credit toward the total amount of the debt, and anticipates that additional future assessments and other customer charges will cover the contract liabilities. However, to date, the Township has advanced \$704 thousand to cover required debt service payments in excess of amounts available to the Authority.

More detailed information about the Township's long-term liabilities is presented in Note 8 of the notes to the basic financial statements.

Economic condition and outlook

Small increases in property taxes are again expected in 2006, resulting in an overall increase in total revenues. The Township plans to maintain all ongoing programs for 2006. Certain costs, for example for public safety services, are likely to increase.

Township has been awarded a grant from the State of Michigan Natural Resource Trust Fund in the amount of \$1,000,000 for the acquisition of Deerlick Park, so that Township citizens and visitors may continue to have access to this local beach on Lake Michigan.

Charter Township of South Haven
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Overall, the General Fund's 2007 fund balance is expected to remain comparable with 2006. However, the Township will be required to make an additional advance of up to \$175 thousand to the Water and Sewer Authority to cover debt service costs in April, 2007. The advance will be included in cumulative amounts receivable from the Authority, and will not reduce the General Fund's fund balance, but it will reduce the cash available for future appropriations.

Revenues and expenditures in most of the other governmental funds are approximately equal each year. These funds record approved tax levies for specific purposes, including police, fire and ambulance, library, hospital and debt service costs, which are paid to the appropriate entities annually. The Fire and Ambulance Fund had the only significant fund balance in these governmental funds (\$115 thousand). The millage rate was reduced for 2006 to adjust for decreased charges for ambulance services.

Contacting the Township's financial management

This financial report is designed to provide citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Charles R. Stein, Jr., Township Supervisor Phone: (269) 637-3305
Charter Township of South Haven
09761 Blue Star Memorial Highway
South Haven, Michigan 49090

INDEPENDENT AUDITORS' REPORT

Board of Trustee's
Charter Township of South Haven, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of South Haven, Michigan, as of December 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Charter Township of South Haven, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Charter Township of South Haven, Michigan, as of December 31, 2006, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis, on pages I through vii, and budgetary comparison information, on pages 20 through 22, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of South Haven, Michigan's, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Siegfried Crandall P.C.

May 2, 2007

BASIC FINANCIAL STATEMENTS

Charter Township of South Haven
STATEMENT OF NET ASSETS
December 31, 2006

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 1,168,580
Receivables, net	1,415,867
Prepaid expenses	<u>6,857</u>
Total current assets	<u>2,591,304</u>
Noncurrent assets:	
Receivables, net	3,215,526
Capital assets not being depreciated - land	100,000
Capital assets being depreciated, net of accumulated depreciation	<u>167,725</u>
Total noncurrent assets	<u>3,483,251</u>
Total assets	<u>6,074,555</u>
LIABILITIES	
Current liabilities:	
Payables	224,141
Deferred revenue	568,583
Current portion of long-term obligations	<u>286,211</u>
Total current liabilities	<u>1,078,935</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>3,126,404</u>
Total liabilities	<u>4,205,339</u>
NET ASSETS	
Invested in capital assets	267,725
Restricted:	
Public safety	115,355
Public works	44,479
Debt service	15,074
Unrestricted	<u>1,426,583</u>
Total net assets	<u>\$ 1,869,216</u>

See notes to financial statements

Charter Township of South Haven

STATEMENT OF ACTIVITIES

Year ended December 31, 2006

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (expenses) revenues and changes in net assets</u>
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	
Governmental activities:				
Legislative	\$ 4,272	\$ -	\$ -	\$ (4,272)
General government	282,601	44,044	-	(238,557)
Public safety	458,395	60,113	-	(398,282)
Public works	574,624	573,838	3,157	2,371
Health and welfare	66,902	-	-	(66,902)
Community and economic development	54,583	15,858	-	(38,725)
Culture and recreation	67,515	-	-	(67,515)
Debt service - interest	<u>250,664</u>	<u>244,444</u>	<u>-</u>	<u>(6,220)</u>
 Total governmental activities	 <u>\$ 1,759,556</u>	 <u>\$ 938,297</u>	 <u>\$ 3,157</u>	 <u>(818,102)</u>
 General revenues:				
				584,077
				324,602
				50,171
				<u>629</u>
		Total general revenues		<u>959,479</u>
		Change in net assets		141,377
		Net assets - beginning		<u>1,727,839</u>
		Net assets - ending		\$ 1,869,216

See notes to financial statements

Charter Township of South Haven
BALANCE SHEET - governmental funds
December 31, 2006

	<u>General</u>	<u>Fire and Ambulance</u>	<u>Water Extension</u>
ASSETS			
Cash	\$ 713,675	\$ 203,251	\$ 44,479
Receivables	868,973	170,026	-
Total assets	<u>\$ 1,582,648</u>	<u>\$ 373,277</u>	<u>\$ 44,479</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 73,192	\$ -	\$ -
Deferred revenue	73,583	257,922	-
Total liabilities	<u>146,775</u>	<u>257,922</u>	<u>-</u>
Fund balances:			
Reserved for:			
Capital improvements	53,659	-	-
Advance to water and sewer joint venture	704,229	-	-
Unreserved, undesignated	677,985	115,355	44,479
Unreserved, reported in nonmajor - debt service fund	-	-	-
Total fund balances	<u>1,435,873</u>	<u>115,355</u>	<u>44,479</u>
Total liabilities and fund balances	<u>\$ 1,582,648</u>	<u>\$ 373,277</u>	<u>\$ 44,479</u>

Fund balances - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 4) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Interest receivable is not a current financial resource and, therefore, is not reported in the funds.

Prepaid expenses are not a current financial resource and, therefore, are not reported in the funds.

Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Long-term liabilities, including contracts and bond payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*

<u>Debt Service</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
\$ 125,870	\$ 81,305	\$ 1,168,580
2,961,468	613,435	4,613,902
<u>\$ 3,087,338</u>	<u>\$ 694,740</u>	<u>\$ 5,782,482</u>
\$ 125,870	\$ -	\$ 199,062
2,961,468	653,693	3,946,666
<u>3,087,338</u>	<u>653,693</u>	<u>4,145,728</u>
-	-	53,659
-	-	704,229
-	-	837,819
-	41,047	41,047
<u>-</u>	<u>41,047</u>	<u>1,636,754</u>
<u>\$ 3,087,338</u>	<u>\$ 694,740</u>	<u>\$ 5,782,482</u>
		\$ 1,636,754
		267,725
		17,491
		6,857
		(25,079)
		3,378,083
		<u>(3,412,615)</u>
		<u>\$ 1,869,216</u>

See notes to financial statements

Charter Township of South Haven**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND****BALANCES - governmental funds**

Year ended December 31, 2006

	<u>General</u>	<u>Fire and Ambulance</u>	<u>Water Extension</u>
REVENUES			
Taxes	\$ 118,749	\$ 293,679	\$ -
Licenses and permits	61,180	-	-
State grants	327,759	-	-
Charges for services	19,710	-	-
Interest and rentals	47,571	-	2,840
Other	629	-	-
	<u>575,598</u>	<u>293,679</u>	<u>2,840</u>
Total revenues			
	<u>575,598</u>	<u>293,679</u>	<u>2,840</u>
EXPENDITURES			
Legislative	4,272	-	-
General government	269,098	-	-
Public safety	202,320	256,075	-
Public works	78,759	-	393,361
Health and welfare	-	-	-
Community and economic development	54,583	-	-
Culture and recreation	-	-	-
Debt service:			
Principal	16,147	-	-
Interest	-	-	-
	<u>625,179</u>	<u>256,075</u>	<u>393,361</u>
Total expenditures			
	<u>625,179</u>	<u>256,075</u>	<u>393,361</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(49,581)</u>	<u>37,604</u>	<u>(390,521)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	-	435,000
Operating transfer in	79,969	-	-
Operating transfer out	-	-	-
	<u>79,969</u>	<u>-</u>	<u>435,000</u>
Total other financing sources (uses)			
	<u>79,969</u>	<u>-</u>	<u>435,000</u>
NET CHANGES IN FUND BALANCES	30,388	37,604	44,479
FUND BALANCES - BEGINNING	<u>1,405,485</u>	<u>77,751</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,435,873</u>	<u>\$ 115,355</u>	<u>\$ 44,479</u>

<i>Debt Service</i>	<i>Total nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ -	\$ 214,386	\$ 626,814
-	-	61,180
-	-	327,759
-	-	19,710
225,585	1,368	277,364
<u>394,520</u>	<u>39,679</u>	<u>434,828</u>
 620,105	 255,433	 1,747,655
 -	 -	 4,272
-	-	269,098
-	-	458,395
-	-	472,120
-	66,902	66,902
-	-	54,583
-	67,515	67,515
 394,520	 -	 410,667
<u>225,585</u>	<u>-</u>	<u>225,585</u>
 620,105	 134,417	 2,029,137
 -	 121,016	 (281,482)
 -	 -	 435,000
-	-	79,969
<u>-</u>	<u>(79,969)</u>	<u>(79,969)</u>
 -	 (79,969)	 435,000
 -	 41,047	 153,518
<u>-</u>	<u>-</u>	<u>1,483,236</u>
<u>\$ -</u>	<u>\$ 41,047</u>	<u>\$ 1,636,754</u>

See notes to financial statements

Charter Township of South Haven

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BALANCES - governmental funds (Continued)**

Year ended December 31, 2006

Net change in fund balances - total governmental funds	\$ 153,518
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Amounts reported for *governmental activities* in the statement of activities (page 5)
are different because:

Capital assets:

Assets acquired	14,305
Provision for depreciation	(16,595)

Long-term debt:

Loan proceeds	(548,692)
Principal repayments	410,667

Changes in other assets/liabilities:

Net increase in interest receivable	17,491
Net decrease in prepaid expenses	(25)
Net increase in interest payable	(25,079)
Net decrease in deferred revenue	<u>135,787</u>

Change in net assets of <i>governmental activities</i>	<u>\$ 141,377</u>
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See notes to financial statements

Charter Township of South Haven
STATEMENT OF FIDUCIARY NET ASSETS - Agency Fund
December 31, 2006

ASSETS

Cash	<u>\$ 459,337</u>
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LIABILITIES

Due to other governmental units	<u>\$ 459,337</u>
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See notes to financial statements

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of South Haven, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Fire and Ambulance Fund accounts for the operating contributions made to the joint venture described in Note 11.

The Water Extension Fund accounts for the construction of the 72nd Street water extension project.

The Debt Service Fund accounts for the issuance and payment of debt related to Water and Sewer improvements.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (Continued):

ii) *Receivables* - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) *Prepaid items* - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Land improvements	20 - 40 years
Buildings and improvements	20 - 40 years
Equipment	3 - 5 years
Roads	30 years

v) *Deferred revenue* - In the fund financial statements, governmental funds report deferred revenue in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the subsequent year.

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variations:

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General	General government	Election	\$ 2,500	\$ 16,607	\$ 14,107
		Hall and grounds	47,000	52,751	5,751
		Other	92,140	96,206	4,066
	Public safety	Police	140,000	144,212	4,212
		Building inspections	45,000	58,108	13,108
	Public works	Drains	-	2,640	2,640
		Airport authority	30,000	35,209	5,209
	Community and economic development	Planning and zoning	33,500	54,583	21,083
Library	Culture and recreation	Library	-	67,515	67,515
Hospital	Health and welfare	Hospital	-	40,204	40,204
Police	Other financing uses	Operating transfer out	-	79,969	79,969
Seniors	Health and welfare	Seniors	-	26,698	26,698

The Township has not adopted budgets for the Library, Hospital, Police and Seniors funds.

NOTE 3 - CASH:

The Township's cash is as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Total</u>
Cash	<u>\$ 1,168,580</u>	<u>\$ 459,337</u>	<u>\$ 1,627,917</u>

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At December 31, 2006, \$1,158,177 of the Township's bank balances of \$1,411,473 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Inter-governmental</i>	<i>Interest</i>	<i>Total</i>
General	\$ 6,415	\$ 49,558	\$ -	\$ 808,948	\$ 4,052	\$ 868,973
Fire and ambulance	-	170,026	-	-	-	170,026
Debt service	-	-	2,961,468	-	-	2,961,468
Nonmajor funds	-	159,671	436,900	16,864	-	613,435
Totals	<u>\$ 6,415</u>	<u>\$ 379,255</u>	<u>\$ 3,398,368</u>	<u>\$ 825,812</u>	<u>\$ 4,052</u>	<u>\$ 4,613,902</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,198,662</u>	<u>\$ 704,229</u>	<u>\$ -</u>	<u>\$ 3,902,891</u>

All receivables are considered fully collectible.

NOTE 5 - PROPERTY TAXES:

The Township property tax is levied on each December 1 on the taxable valuation of property (as defined by state statutes) located in the Township as of the preceding December 31.

Although the Township 2006 ad valorem tax is levied and collectible on December 1, 2006, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2006 taxable valuation of the Township totaled \$126,835,522, on which ad valorem taxes levied consisted of the following:

<i>Fund</i>	<i>Millage rate</i>	<i>Purpose</i>	<i>Taxes raised</i>
General	0.5707	Township operations	\$ 73,583
Fire and ambulance	2.1000	Fire and ambulance	257,922
Library	0.5707	Library	73,583
Hospital	0.3400	Hospital	43,834
Police	0.6781	Police	87,433
Seniors	0.2500	Senior services	32,228

These amounts are recognized in the financial statements as taxes receivable, with an offsetting credit to deferred revenue. Taxes are considered delinquent on March 1, of the following year, at which time penalties and interest are assessed.

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - DEFERRED REVENUES:

Governmental funds report deferred revenues in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenues are as follows:

<i>Fund</i>	<i>Property taxes unearned</i>	<i>Special assessments unavailable</i>	<i>Total</i>
General	\$ 73,583	\$ -	\$ 73,583
Fire and ambulance	257,922	-	257,922
Debt service	-	2,961,468	2,961,468
Nonmajor funds	<u>237,078</u>	<u>416,615</u>	<u>653,693</u>
Totals	<u>\$ 568,583</u>	<u>\$ 3,378,083</u>	<u>\$ 3,946,666</u>

NOTE 7 - CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2006, was as follows:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,000</u>
Capital assets being depreciated:				
Land improvements	44,189	-	-	44,189
Buildings and improvements	178,640	-	-	178,640
Equipment	59,849	-	-	59,849
Infrastructure - shared road costs	<u>87,546</u>	<u>14,305</u>	<u>-</u>	<u>101,851</u>
Subtotal	<u>370,224</u>	<u>14,305</u>	<u>-</u>	<u>384,529</u>
Less accumulated depreciation for:				
Land improvements	(22,749)	(1,656)	-	(24,405)
Buildings and improvements	(122,915)	(6,452)	-	(129,367)
Equipment	(50,341)	(5,370)	-	(55,711)
Infrastructure - shared road costs	<u>(4,204)</u>	<u>(3,117)</u>	<u>-</u>	<u>(7,321)</u>
Subtotal	<u>(200,209)</u>	<u>(16,595)</u>	<u>-</u>	<u>(216,804)</u>
Total capital assets being depreciated (net)	<u>170,015</u>	<u>(2,290)</u>	<u>-</u>	<u>167,725</u>
Governmental activities capital assets, net	<u>\$ 270,015</u>	<u>\$ (2,290)</u>	<u>\$ -</u>	<u>\$ 267,725</u>

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 13,478
Public works	<u>3,117</u>
 Total	 <u>\$ 16,595</u>

NOTE 8 - LONG-TERM LIABILITIES:

Long-term debt at December 31, 2006, is comprised of the following individual issues:

Special assessments:

\$80,735 2003 North Phoenix Drain assessment, due to Van Buren County without interest in annual installments through 2007.	<u>\$ 16,147</u>
---	------------------

Contracts payable:

\$631,508 1995 and 1997 water and sewer assessments, due to Allegan County in annual installments through 2017; interest at approximately 6.2%.	344,099
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\$1,470,023 1998 water and sewer assessments, due to Van Buren County in annual installments through 2019; interest at approximately 5.8%.	678,224
--	---------

\$1,915,388 1999 water and sewer assessments, due to Van Buren County in annual installments through 2020; interest at approximately 6.3%.	876,361
--	---------

\$1,212,372 2000 water and sewer assessments, due to Van Buren County in annual installments through 2021; interest at approximately 6.3%.	631,170
--	---------

\$550,808 contracts payable, due to South Haven and Casco Township Water and Wastewater Treatment Authority in various annual installments; interest at approximately 6.0%	<u>431,614</u>
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Total contracts payable	<u>2,961,468</u>
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Bond payable:

\$435,000 2006 special assessment bonds, due in annual installments of \$10,000 to \$25,000 through 2026; interest at approximately 5.49%.	<u>435,000</u>
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Total long-term liabilities	<u>\$ 3,412,615</u>
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Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM LIABILITIES (Continued):

Long-term liability activity for the year ended December 31, 2006, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
2003 Phoenix Drain	\$ 32,294	\$ -	\$ (16,147)	\$ 16,147	\$ 16,147
Contracts payable - 1997	407,698	-	(63,599)	344,099	31,282
Contracts payable - 1998	776,429	-	(98,205)	678,224	52,171
Contracts payable - 1999	990,980	-	(114,619)	876,361	62,597
Contracts payable - 2000	682,324	-	(51,154)	631,170	42,078
Contracts payable	384,865	113,692	(66,943)	431,614	71,936
Bonds payable - 2006	-	435,000	-	435,000	10,000
Total long term liabilities	<u>\$ 3,274,590</u>	<u>\$ 548,692</u>	<u>\$ (410,667)</u>	<u>\$ 3,412,615</u>	<u>\$ 286,211</u>

Debt service requirements at December 31, 2006, were as follows:

	<i>Principal</i>	<i>Interest</i>
Year ended December 31:		
2007	\$ 286,211	\$ 211,395
2008	280,064	188,999
2009	280,064	172,025
2010	280,064	155,050
2011	280,064	138,075
2012 - 2016	1,137,575	458,923
2017 - 2021	768,573	145,963
2022 - 2026	<u>100,000</u>	<u>16,470</u>
Totals	<u>\$ 3,412,615</u>	<u>\$ 1,486,900</u>

The Township is contingently liable for \$11,811,350 of outstanding water and sewer system contracts payable in excess of the amounts, which are to be repaid from collections of special assessments currently levied against properties within the Township. The Township has pledged its full faith and credit toward the total amounts due and anticipates that additional future assessments and other customer charges will be used to pay the contract liabilities.

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 9 - PAYABLES:

Payables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Total</u>
General	\$ 16,701	\$ 56,491	\$ 73,192
Debt service	<u>-</u>	<u>125,870</u>	<u>125,870</u>
Total	<u>\$ 16,701</u>	<u>\$ 182,361</u>	<u>\$ 199,062</u>

NOTE 10 - INTERFUND TRANSFERS:

A summary of interfund transfers for the year ended December 31, 2006, is as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Fund</u>	<u>Transfer out</u>
General	<u>\$ 79,969</u>	Police	<u>\$ 79,969</u>

The transfer to the General Fund represents restricted revenues collected in the Police Fund to pay for operational costs of the public safety functions accounted for in the General Fund.

NOTE 11 - JOINT VENTURES:

The Township, together with the Township of Casco, established a joint water and sewage treatment authority under the provisions of Public Act 233 of 1955, in order to acquire and operate water and sewage treatment systems to benefit both townships. The Township has advanced \$704,229, including \$135,000 during the year ended December 31, 2006, for its share of certain costs of the authority, and anticipates reimbursement in the future.

The Township has joined the City of South Haven and the Townships of Casco and Geneva in establishing a joint emergency services authority (the Emergency Authority) to provide fire and ambulance services in the Authority's area of operation, which includes the Township of South Haven. The operations of the Authority are financed by taxes levied annually within the participating units of government.

The Township has joined the Cities of South Haven and Bangor and the Townships of Casco, Geneva, and Covert in establishing a joint regional airport authority (the Airport Authority) to provide airfield services in the Airport Authority's area of operation, which includes the Charter Township of South Haven. The operations of the Airport Authority are financed by annual contributions within the participating units of government, as well as, hangar rentals and fuel sales. During the year ended December 31, 2006, the Township contributed \$35,209 towards the Airport Authority's operations.

Charter Township of South Haven
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 12 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 13 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for substantially all of its full-time employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. Officials are eligible to participate from the date they are elected to office. The Township contributes 5% of each qualified employee's base salary or \$300, whichever is more, to the plan. The Township's contributions are fully vested immediately. The Township made the required contributions of \$4,610 for the year ended December 31, 2006. The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets.

NOTE 14 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended December 31, 2006, is as follows:

Revenues	\$ 60,113
Expenses	<u>(58,108)</u>
Excess of revenues over expenses	<u>\$ 2,005</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of South Haven
BUDGETARY COMPARISON SCHEDULE - General Fund
Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 154,600	\$ 154,600	\$ 118,749	\$ (35,851)
Licenses and permits	45,000	45,000	61,180	16,180
State grants	345,000	345,000	327,759	(17,241)
Charges for services	2,000	2,000	19,710	17,710
Interest and rentals	12,240	12,240	47,571	35,331
Other	3,000	3,000	629	(2,371)
Total revenues	<u>561,840</u>	<u>561,840</u>	<u>575,598</u>	<u>13,758</u>
EXPENDITURES				
Legislative	<u>5,000</u>	<u>5,000</u>	<u>4,272</u>	<u>728</u>
General government:				
Supervisor	34,000	34,000	28,100	5,900
Election	2,500	2,500	16,607	(14,107)
Assessor	33,300	33,300	29,222	4,078
Clerk	22,300	22,300	22,789	(489)
Board of review	1,200	1,200	1,080	120
Treasurer	25,700	25,700	22,343	3,357
Hall and grounds	47,000	47,000	52,751	(5,751)
Other	92,140	92,140	96,206	(4,066)
Total general government	<u>258,140</u>	<u>258,140</u>	<u>269,098</u>	<u>(10,958)</u>
Public safety:				
Police	140,000	140,000	144,212	(4,212)
Building inspections	45,000	45,000	58,108	(13,108)
Total public safety	<u>185,000</u>	<u>185,000</u>	<u>202,320</u>	<u>(17,320)</u>
Public works:				
Highways and streets	43,000	43,000	27,922	15,078
Drains	-	-	2,640	(2,640)
Transfer station	16,000	16,000	12,988	3,012
Airport authority	30,000	30,000	35,209	(5,209)
Total public works	<u>89,000</u>	<u>89,000</u>	<u>78,759</u>	<u>10,241</u>

Charter Township of South Haven**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Community and economic development - planning and zoning	<u>\$ 33,500</u>	<u>\$ 33,500</u>	<u>\$ 54,583</u>	<u>\$ (21,083)</u>
Capital outlay	<u>5,000</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Debt service - principal	<u>16,200</u>	<u>16,200</u>	<u>16,147</u>	<u>53</u>
Total expenditures	<u>591,840</u>	<u>591,840</u>	<u>625,179</u>	<u>(33,339)</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	<u>(30,000)</u>	<u>(30,000)</u>	<u>(49,581)</u>	<u>(19,581)</u>
OTHER FINANCING SOURCES				
Transfer from Police Fund	<u>-</u>	<u>-</u>	<u>79,969</u>	<u>79,969</u>
NET CHANGES IN FUND BALANCES	<u>(30,000)</u>	<u>(30,000)</u>	<u>30,388</u>	<u>60,388</u>
FUND BALANCES - BEGINNING	<u>1,405,485</u>	<u>1,405,485</u>	<u>1,405,485</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 1,375,485</u>	<u>\$ 1,375,485</u>	<u>\$ 1,435,873</u>	<u>\$ 60,388</u>

Charter Township of South Haven
BUDGETARY COMPARISON SCHEDULE - Fire and Ambulance Fund
Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 304,600	\$ 304,600	\$ 293,679	\$ (10,921)
EXPENDITURES				
Public safety	<u>304,600</u>	<u>304,600</u>	<u>256,075</u>	<u>48,525</u>
NET CHANGES IN FUND BALANCES	-	-	37,604	37,604
FUND BALANCES - BEGINNING	<u>77,751</u>	<u>77,751</u>	<u>77,751</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 77,751</u>	<u>\$ 77,751</u>	<u>\$ 115,355</u>	<u>\$ 37,604</u>

SUPPLEMENTARY INFORMATION

Charter Township of South Haven
COMBINING BALANCE SHEET - nonmajor governmental funds
December 31, 2006

	<u>Special revenue funds</u>				<u>Debt service</u>	
	<u>Library</u>	<u>Hospital</u>	<u>Police</u>	<u>Seniors</u>	<u>Water</u>	<u>Total</u>
ASSETS						
Cash	\$ 24,025	\$ 14,312	\$ 28,547	\$ 10,523	\$ 3,898	\$ 81,305
Receivables (net)	<u>49,558</u>	<u>29,522</u>	<u>58,886</u>	<u>21,705</u>	<u>453,764</u>	<u>613,435</u>
Total assets	<u>\$ 73,583</u>	<u>\$ 43,834</u>	<u>\$ 87,433</u>	<u>\$ 32,228</u>	<u>\$ 457,662</u>	<u>\$ 694,740</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Deferred revenue	\$ 73,583	\$ 43,834	\$ 87,433	\$ 32,228	\$ 416,615	\$ 653,693
Fund Balances:						
Unreserved, undesignated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,047</u>	<u>41,047</u>
Total liabilities and fund balances	<u>\$ 73,583</u>	<u>\$ 43,834</u>	<u>\$ 87,433</u>	<u>\$ 32,228</u>	<u>\$ 457,662</u>	<u>\$ 694,740</u>

Charter Township of South Haven

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2006

	Special revenue funds				Debt service	
	<u>Library</u>	<u>Hospital</u>	<u>Police</u>	<u>Seniors</u>	<u>Water</u>	<u>Total</u>
REVENUES						
Taxes	\$ 67,515	\$ 40,204	\$ 79,969	\$ 26,698	\$ -	\$ 214,386
Interest	-	-	-	-	1,368	1,368
Other	-	-	-	-	39,679	39,679
Total revenue	<u>67,515</u>	<u>40,204</u>	<u>79,969</u>	<u>26,698</u>	<u>41,047</u>	<u>255,433</u>
EXPENDITURES						
Health and welfare	-	40,204	-	26,698	-	66,902
Culture and recreation	<u>67,515</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,515</u>
Total expenditures	<u>67,515</u>	<u>40,204</u>	<u>-</u>	<u>26,698</u>	<u>-</u>	<u>134,417</u>
EXCESS OF REVENUES OVER EXPENSES	-	-	79,969	-	41,047	121,016
OTHER FINANCING USES						
Operating transfer out	<u>-</u>	<u>-</u>	<u>(79,969)</u>	<u>-</u>	<u>-</u>	<u>(79,969)</u>
NET CHANGES IN FUND BALANCE	-	-	-	-	41,047	41,047
FUND BALANCES - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,047</u>	<u>\$ 41,047</u>

**Members of the Township Board
Charter Township of South Haven, Michigan**

In planning and performing our audit of the financial statements of the Charter Township of South Haven as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of South Haven's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Our consideration of internal control included procedures to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented, but it did not include procedures to test the operating effectiveness of controls, and accordingly, was not directed to discovering significant deficiencies in internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This communication is intended solely for the information and use of management, the Board of Trustees of the Charter Township of South Haven, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Siegfried Crandall P.C.

May 2, 2007